

Dodangoda Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2017 had been submitted on 29 March 2018 and amended Financial Statements on 08 October 2018 for the audit, the Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 26 October 2018.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Dodangoda Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statement

1.3.1 Accounting Deficiencies

Although the balance of Fixed Assets should be equal to the balance Contribution from Revenue to Capital Outlay Account, there was a difference of Rs. 3,028,092 between those two accounts for the year under review.

1.3.2 Non-reconciled Accounts

A difference of Rs. 550,187 was observed between the balance amounting to Rs. 2,156,052 relevant to an items of accounts shown in the financial statements and the balance shown in the schedule relevant to that.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

The sum of Rs.1,545,121 due on account of street lamps existing over a long period had not been recovered.

(b) Accounts Payable

Action had not been taken to settle Value Added Tax (VAT) amounting to Rs. 285,974 payable over a long period, even up to the end of the year under review

1.3.4 Lack of Written Evidence Required for Audit

Work Debtors balance amounting to Rs. 599,874 could not be satisfactorily vouched in audit due to non- rendition of schedules.

1.3.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions are shown below.

Reference to Laws, Rules, Regulations and Management Decision	Value	Non-compliance
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	Rs.	
(a) Pradeshiya Sabha Act No. 15 of 1987		Action had not been taken to recover Rates based on annual value of any particular property or immovable properties situated in areas declared as developed areas by the Sabha.
i. Section 134(1)		
ii. Section 143(1)		A fresh identification had not been made in order to recover Rates, subject to approval of the Minister. restaurants and lodging houses registered in the Sri Lanka Tourist Board for the functions of Tourism Development Act No. 14 of 1968
ii. Section 160		Properties had not been seized as the last resort for recovery of rates
(b) 1988 Pradeshiya Sabha (Financial and Administrative) Rules Rule 218	42,816,076	All Lands and Buildings belong to the Sabha Had not been inspected once in every year

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|---|--------|---|
| (c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka | | |
| i. Financial Regulation 371(2) (c) | 88,103 | Although the advances given should be settled immediately after completion of the relevant work, action had not been taken to settle advances amounting to Rs. 88,103 outstanding over a long period. |
| ii. Financial Regulations 1647 (b) | | A full survey of vehicles and tools of those had not been carried out. |
| (d) Treasury Circular No.IAI/2002/02 dated 28 November 2002 | | A separate Fixed Assets Register had not been maintained for computer components and software. |
| (e) Commissioner of Local Government Circular No.88/22 dated 17 May 1988. | | Although the properties subject to Rates should be assessed once in 05 years, action had not been taken accordingly. |

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of expenditure over revenue of the Sabha for the year ended 31 December 2017 had been Rs. 2,669,511 as against the excess of revenue over recurrent expenditure amounted to Rs. 6,859,798 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under and preceding as furnished are shown below.

Source of Revenue	2017 Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December	2016 Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	6,045,660	3,666,322	5,139,522	2,157,052	5,031,550	3,775,832	7,612,794	3,632,713
(ii) Rent	1,975,870	650,507	739,171	32,500	2,587,875	634,725	1,527,425	99,726
(iii) License Fees	391,500	122,000	121,000	1,000	324,000	185,650	501,265	-
(iv) Other Revenue	21,525,000	5,000,000	3,909,717	13,596,585	22,770,500	17,000,000	24,954,985	12,506,302

2.2.2 Performance in Revenue Collection

While overall arrears of revenue at the beginning of the year under review amounted to Rs. 16, 238, 741, billing relevant to the year had been Rs. 9,438,829 Receipts, write-off and adjustments during the year amounted to Rs. 9,890,433, while overall arrears of revenue as at 31 December 2017 amounted to Rs. 15,787,137.

2.2.3 Rates and Taxes

(a) Rates

- (i) While Rates in arrears at the beginning of the year under review was Rs. 3,568,371, out of that a sum of Rs. 2,388,368 or 67 percent only had been recovered during the year.
- (ii) While Rates billings for the year under review were Rs. 2,227,722, out of that, a sum of Rs. 1,810,450 or 81 percent only had been recovered during the year.

2.2.4 Other Revenue

(a) Advertisements Boards Revenue

As per Local Government Standard By-laws Act No. 06 of 1952, when exhibiting a particular advertisement, it should be exhibited only under the authority granted through a license issued by the Sabha Secretary. However, advertisement boards had been exhibited without obtaining such

authority. A sum of Rs. 276,112 to be so recovered from advertisement boards and name boards had not been recovered.

(b) Vehicles Parking Fees

Action had not been taken to impose by-laws and recover fees from three wheeled vehicles parking places in the area of authority of the Sabha.

2.2.5 Court Fines and Stamp Fees

Court Fines amounting to Rs.18,379,490 and Stamp Fees amounting to Rs. 13,596,585 receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2017.

3. Operating Review

3.1 Performance

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

(a) Action Plan

An action plan had not been prepared and approved including particulars of works to be performed by the Sabha for the year 2017.

(b) Solid Wastes Management

- (i) While expenditure amounting to Rs. 8,039,060 had been incurred during the year under review for disposal of garbage, a compost project had not been implemented for decomposing wastes. While collection of garbage is not done covering the whole Sabha area, garbage tax had not been imposed as well.
- (ii) While the Sabha had not prepared a suitable and adequate plan for proper implementation of wastes management, by-laws too had not been imposed in that connection.

(c) Sustainable Development Targets.

The Sabha was not aware of sustainable development targets for implementation of those.

3.2 Management Inefficiencies

----- Issue of Environmental Licenses -----

- (a) Although environmental protection licenses should be issued in terms of procedure given guidelines, published in the gazette notification NO. 1533/16, dated 25 January 2018 for delegation of authority by Central Environmental Authority to local authorities and exercising such authority, the Sabha had not taken action to issue environmental certificates for many industries carried out on during the year 2017.
- (b) Only three environmental licenses had been issued relevant to the year 2017. The Sabha had not carried out a proper survey to identify or evaluate the industries liable to obtain environmental licenses.

3.3 Human Resources Management

----- (a) Staff Vacancies -----

According to cadre particulars submitted on 31 December 2017, there were vacancies in the post of a technical officer, post of a pre-school teacher, post of a machine operator and two posts of field laborers.

(b) Staff Loans -----

Loan balance outstanding to be recovered from a retired employee was Rs.4,552.

3.4 Operational Inefficiencies

----- (a) Leasing out Properties -----

- i. While there were sixty two trade stalls belong to the Sabha at Dodangoda, Sapugahawatta, Neboda, action had not been taken to make a new assessment of these stalls and raise up the revenue.
- ii. While all agreements relevant to trade stalls in Dodangoda Public Market had lapsed, instead of renewing those, lease period of old agreements and name of the person who sign agreement on behalf of the Sabha had been altered falsely.

(b) Inventory Register -----

While the Inventory Register had been maintained without subject to any supervision, the Register had not been balanced as at the last date of every year and balances had not been carried forward. A different position was observed between existing assets belong to the Sabha and recorded assets.

3.5 Assets Management

3.5.1 Assets not vested

Action had not been taken to vest the land in extent of 02 perches relevant to the public well constructed in a private land in Abletwatta Colony at an estimated sum of Rs. 600,000

3.5.2 Annual Board of Survey

- (a) Any course of action had not been taken in connection with 220 books valued at Rs. 22,771, misplaced in the Bombuwala Library, according to the board of survey report.
- (b) Action had not been taken to implement the recommendations of the Board of Survey carried out during the year 2017 up to 25 May 2018.
- (c) Inventory registers maintained by Sabha libraries at Thebuwana, Neboda, Bombuwala, Gangaboda, Sobithagama and Adikarigoda had not been updated.
- (d) All goods at Old Sabha Premises had been surveyed, but action had not been taken to record most of the goods in a ledger or an inventory register.

4. Accountability and Good Governance

4.1 Budgetary Control

Variances in a range from 20 percent to 72 percent between the budgeted revenue and actual revenue, and variances in a range from 19 percent to 98 percent between the budgeted expenditure actual expenditure were observed. Therefore, the budget had not been made us of as an effective tool of management.

5. Systems and Controls

Deficiencies observed were brought to the notice of the Sabha through audit queries issued from time to time. Special attention of the Sabha is needed in the following areas of controls.

System	Deficiency
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(a) Revenue Control	I. Non-recovery of arrears of revenue of tax arrears II. Not updating reports and registers relating to arrears of revenue.
(b) Staff Management	I. Not engaging road and field laborers in a systematic manner. II. Weaknesses in supervision of employees
(c) Budgetary Control	I. Material variances between the budget and actual expenditure. II. Unrealistic revenue estimates.